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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 000183

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TAGS: [PREL](#) [ECON](#) [ETRD](#) [IR](#) [KU](#)  
SUBJECT: KUWAITI - IRANIAN TRADE RELATIONS: AN OVERVIEW

REF: A. KUWAIT 173  
[1](#)B. KUWAIT 162  
[1](#)C. 06 KUWAIT 4702  
[1](#)D. KUWAIT 164

Classified By: Acting DCM Tim Lenderking for reasons 1.4 (b) and (d).

[1](#)1. (U) This is the first in a series of cables reporting on the economic relationship between Kuwait and Iran.

[1](#)2. (SBU) Summary: Since the 1991 Gulf War, Kuwait and Iran have enjoyed an expanding trade relationship. Kuwaiti imports of Iranian products - mostly food, live animals and household items - were worth USD 214 million in 2004 (the most recent GOK data available), nearly double the year 2000 total of USD 120 million. Unfortunately, among the most prominent Iranian exports to Kuwait are heroin and other opium derivatives, which are smuggled into the country via a variety of routes. Most of the narcotics traffic is reportedly transshipped to Europe, but there appears to be a healthy local market as well. Kuwaiti exports to Iran were just USD 22 million in 2004, but there are reportedly significant Kuwaiti investments in Iran, including cement and steel plants. In 2000, a Joint Trade Committee was established to develop bilateral trade cooperation and provide a forum for trade disputes. In 2003, then Deputy Prime Minister and Foreign Minister (and current Amir) Shaykh Sabah Al-Ahmad Al-Sabah visited Iran to sign MOUs regarding economic cooperation, electricity and water, and gas importation. According to the MFA, Kuwaiti Foreign Minister Shaykh Dr. Mohammed Al-Sabah will travel to Iran February 13-14 and is expected to sign bilateral agreements relating to double taxation and tourism. The FM's visit may lay the groundwork for an Amiri visit to Iran later this year (Ref A). End Summary.

[1](#)3. (SBU) Beginning in the pre-oil era, and interrupted only after the 1979 Islamic Revolution, Kuwait and Iran have enjoyed a close trade relationship. This relationship is based as much on social networks as it is on geography, and the value of goods and services going both ways has increased steadily. Since the 1990 invasion of Kuwait by Iraq, which was strongly opposed by Iran, Kuwait-Iran trade relations have been particularly strong. Kuwaiti imports of Iranian goods have risen from USD 120 million in 2000, to USD 214 million in 2004 (the most recent data available, provided by the Ministry of Planning). These imports are mainly agricultural products (flour, pistachios, apricots and other fresh fruits, rice), live animals, carpets, miscellaneous household items, and building materials. At this time Kuwait does not import natural gas from Iran. Kuwaiti exports to Iran were just USD 22 million in 2004, but this figure does not include Kuwaiti investments in Iran, which seem to be

substantial, though only anecdotal evidence is available. According to the President of the Kuwait Chamber of Commerce and Industry, Kuwaiti investors are doing "huge" business in Iran, including manufacturing in plastics, metals, and cement (Ref B).

14. (SBU) Heroin and other drugs are a serious concern in Kuwait, and according to press reports and Customs contacts are mostly smuggled into the country from Iran, Pakistan, and Afghanistan. Smugglers use a variety of means to bring in the drugs, most often hidden in legitimate shipments, but also via human mules and even by landing in Kuwait at night in small boats. Because shipments to the West from Kuwait would be less suspect than those from Iran (or Afghanistan, where most of the opiates originate), the prevailing theory is that the drugs enter from Iran and then are repackaged for shipment to Europe. The Kuwaiti and Iranian governments have in place a security cooperation agreement aimed at restricting this traffic and, considering Kuwait's small size, a relatively large number of drug arrests have been reported. Arrests are primarily a result of local source busts after drugs have arrived rather than border interdiction efforts, although seizures by Kuwait Customs do occur with regularity.

15. (SBU) In 1999, the Kuwaiti Minister of Commerce made an official visit to Iran and concluded an agreement stressing the importance of improving the economic relationship between the two countries. This was followed by the establishment of the Kuwaiti-Iranian Joint Trade Committee in 2000, which was founded to develop bilateral trade cooperation, encourage commercial exhibitions, facilitate industrial and technical cooperation, and to provide a forum for disputes related to tariffs and other trade issues. In 2003, Deputy Prime

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Minister and Foreign Minister (and current Amir) Shaykh Sabah Al-Ahmad Al-Sabah made an official visit to Iran during which he finalized three MOUs relating to economic cooperation, electricity and water, and gas importation (now suspended). Foreign Minister Shaykh Dr. Mohammed Al-Sabah will travel to Iran on February 13, and is expected to sign bilateral agreements in the areas of double taxation and tourism. The FM's visit will lay the groundwork for a still unscheduled visit by Amir Al-Sabah later this year (Ref A).

16. (C/NF) Kuwait and Iran continue to dispute ownership of the gas-rich Al-Dorra offshore gas field in the continental shelf region of the northern gulf. The dispute dates back to the 1960s when Kuwait and Iran awarded overlapping concessions in the northern part of the gas field. Kuwait signed an agreement with Saudi Arabia in July 2000 to share the offshore resources but has been unable to reach a similar accord with Iran. GOK contacts have previously told Embosffs (Ref C) that the Amir will seek movement on this long-standing issue before he agrees to travel to Tehran, but a Kuwait Oil Company official recently told the Ambassador that there has been little dialogue on this issue between the two countries (Ref D).

17. (SBU) In November 2006, the Ministry of Planning announced that there were 53,000 Iranian workers in Kuwait, although other sources estimate the number as high as 100,000. There is no data available estimating the number of illegal Iranian workers, but there are periodic press reports of Iranians arrested trying to illegally enter Kuwait by boat. Iranian workers are generally employed in industrial and other blue-collar professions, including as market vendors and fishmongers. Iranians enjoy a reputation among Kuwait companies as hard-working and industrious.

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